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Irakli Sauer
IAB

Matthias Collischon
IAB

Regina T. Riphahn
University of Erlangen-Nürnberg

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Correspondence to:

Irakli Sauer, Regensburger Str. 104, 90478 Nürnberg, Germany, Email: irakli.sauer@iab.de.

Abstract

In Germany, jobs with monthly earnings of up to 2,000 Euro (Mini- and Midijobs) are subsidized: employees pay reduced social insurance contributions. Among various reform elements, since Oct. 1, 2022, employers have to pay higher social insurance contributions on Midijobs compared to regular employment. Midijobs were introduced in 2003 to address the Minijob trap: individuals face strong disincentives to extend their labor supply beyond the Minijob earnings limit due to the abrupt increase in payroll and income taxes. This paper examines whether recent Midijob reforms contribute to reaching this objective, and whether employers changed their hiring behavior in response to increased contribution rates. We exploit reliable administrative data and find that the Minijob trap problem was not ameliorated by the reforms. In addition, employers avoided Midijobs in their hiring behavior after the reforms.

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Irakli Sauer (IAB, Nürnberg)

Matthias Collischon (IAB, Nürnberg)

Regina T. Riphahn (FAU, Erlangen-Nürnberg)*

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Key Words: Minijob, Midijob, subsidy, labor demand, payroll tax

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* Corresponding author: regina.riphahn@fau.de, Lange Gasse 20, 90403 Nürnberg, Germany.

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1. Introduction

As of December 2024, more than 12.7 million employment relationships in Germany were subsidized, 7.6 million of these as Minijobs and 5.1 million as Midijobs (BA 2025); this compares to a total of 36 million employment relationships subject to regular social insurance contributions.

Minijobs, which are characterized by an upper earnings limit (603 Euro per month, as of 2026), are attractive for employees because they are exempt from income and payroll taxes.¹ Particularly for individuals with potentially high income tax burdens, this causes a "Minijob trap": since taxes fall due once individuals earn above the Minijob earnings limit, workers do not expand labor supply and earnings beyond that limit (Herget and Riphahn 2025, Tazhitdinova 2020). Due to this Minijob trap, in 2003 the government introduced Midijobs. Midijobs are employment relationships earning somewhat more than Minijobs, originally up to a limit of 800 Euro per month. For employees, Midijobs are subject to income taxes. Employee payroll taxes are reduced and rise on a sliding scale with rising gross earnings. Since 2003, Mini- and Midijobs have been expanded continuously (see **Table 1**): the earnings limit for Minijobs rose from 400 (2003) to 603 (2026) Euro, and the earnings limit for Midijobs rose from 800 (2003) to 2,000 (since 2023) Euro. Even though around one third of all employment relationships in Germany take up one of these subsidies, their implications for the German labor market at large are not well understood.

In this paper, we exploit administrative data to investigate whether the recent reforms of Mini- and Midijobs reduced the Minijob trap phenomenon, and we inspect the response of employers to changes in payroll taxes. The 2022 reform changed earnings limits of Mini- and Midijobs, reduced payroll taxes for employees, and, for the first time, increased payroll taxes for employers of Midijobbers. The 2023 reform increased the earnings limit of Midijobs even further.

This study contributes to the wider literature on the labor market consequences of Mini- and Midijob subsidies in Germany. Tazhitdinova (2020) investigates workers' responses to changes in Minijob earnings limits; she finds that labor supply hardly changed, which she attributes to the

¹ We use the terms payroll taxes and social insurance contributions interchangeably.

relevance of firm preferences. Gudgeon and Trenkle (2024) focus on the labor market frictions that slow the employment responses to changes in subsidies and discuss the characteristics of firms with more and less flexible labor demand responses. Herget and Riphahn (2025) were the first to evaluate the effectiveness of Midijobs in attenuating the Minijob trap. Using difference-in-differences and regression discontinuity approaches, they demonstrated that Midijobs effectively increased transition probabilities out of Minijob employment, but only for men and unmarried individuals. Both groups constitute a small fraction of all Minijobbers. Our study is most closely related to Collischon et al. (2024) which investigates the role of Midijobs in facilitating transitions from Minijob to regular higher-paying employment. The study finds that neither static analyses of the distribution of gross earnings around early reform dates (2003, 2013, 2019) nor dynamic analyses of transition rates over time support the hypothesis that the introduction and expansion of Midijobs reduced the Minijob trap: the earnings distribution and transition rates from Minijobs did not respond to the reforms.

This paper makes several important contributions to the literature. First, this is the first ex post analysis of the 2022 and 2023 Midijob reforms.² Given the extensive subsidies for low-income employment in Germany, this study presents an interesting test case for many countries that employ subsidies to support specific groups in the labor market. Second, we exploit recent administrative data from the Sample of Integrated Employer-Employee Data (SIEED), which offers a 1 percent sample of all German establishments. We use this data to describe employer responses to the reforms, which have been neglected in the literature so far. Third, we add to the international literature on employers' responses to payroll tax changes: while most studies focus on the effects of *reductions* in payroll taxes and increased hiring incentives, the German case is one of *increased* payroll taxes, which potentially disincentivize hiring.³

We find that the vast expansion of Midijob employment did not affect the gross earnings distribution, further supporting the findings of Collischon et al. (2024) for earlier reforms. Similarly,

² For ex ante discussions see Buslei et al. (2023) and Bruckmeier and Wiemers (2023).

³ Collischon et al. (2021) point out that employers use Minijobs as substitutes to regular employment.

we do not observe substantially increased transition rates from Minijobs to regular employment after the expansion of the Midijob program. However, we find that employers adjusted their hiring behavior after the reform: the rising payroll tax burden for employers in 2022 goes along with reduced hiring in Midijobs in the subsequent period. Overall, Midijobs do not appear to be effective in reducing the Minijob trap.

This paper is structured as follows: the next section offers institutional detail, section three focuses on employee responses and updates the Collischon et al. (2024) analyses for the most recent reforms, and section four focuses on employer responses. Section five concludes.

2. Institutional background of recent Midijob reforms

As Midijobs were introduced to address unintended consequences of Minijobs, we first provide background information on Minijobs: Minijobs are jobs that pay below a given monthly upper earnings limit (see **Table 1**). They were introduced in the early days of the German social insurance system (1893) to reduce the bureaucratic burden for small jobs. Minijob employees are exempt from paying income and payroll taxes, while Minijob employers are subject to payroll taxes that are slightly higher than those for regular jobs. Employee income taxes and payroll taxes kick in as soon as workers earn above the Minijob earnings limit, which causes net earnings to drop substantially below Minijob levels. Therefore, employees face a substantial incentive not to expand their labor supply beyond the Minijob earnings limit (see **Figure 1**). This generates the "Minijob trap", i.e., a vast bunching of jobs paying exactly the Minijob earnings limit (see Herget and Riphahn 2025, Tazhitdinova 2020, and Gudgeon and Trenkle 2024 for evidence).⁴

Midijobs were introduced in 2003 to reduce this bunching.⁵ Midijobs are employment relationships with earnings ranging from the Minijob earnings limit to the Midijob earnings limit,

⁴ Collischon et al. (2025) characterize the long-run impact of the Minijob trap for recent mothers' labor market outcomes.

⁵ The regulation was part of the Hartz labor market reforms. It was passed on Dec. 23, 2002 (*Zweites Gesetz für Moderne Dienstleistungen am Arbeitsmarkt, Hartz II*).

originally from 400 to 800 Euro per month in 2003. Midijob employees benefit from subsidized social insurance contribution rates. In 2003, Midijob employee contribution rates started at 4 percent and increased to the regular, unsubsidized level of 20 percent at the upper Midijob earnings limit. This subsidy reduces the drop in net earnings at the Minijob earnings limit (compare the bottom grey line and the dashed red line in **Figure 1**). Midijob employers paid regular social insurance contributions as soon as workers earned above the Minijob earnings limit.

The Mini- and Midijob earnings limits were adjusted several times since 2003, typically to adjust for inflation (see **Table 1**). On Oct. 1, 2022, the Minijob earnings limit increased from 450 to 520 Euro, and the Midijob earnings range was adjusted from 450-1,300 to 520-1,600 Euro.⁶ On Jan. 1, 2023, the upper earnings limit of Midijobs shifted further up from 1,600 to 2,000 Euro, which extended the coverage of the Midijob policy instrument substantially. **Figure 2** shows the utilization of the instruments over time. From 2018 to 2023, the number of employees benefiting from the Midijob subsidy more than quadrupled, from just above one to around five million employees.

In addition to the more generous limits for payroll tax subsidies, starting Oct. 1, 2022, the subsidies themselves were expanded across the entire Midijob earnings range (see **Figure 3**): before the reform of Oct. 1, 2022, employee payroll taxes rose from about 10 to 20 percent in the Midijob earnings range. Since the reform, they start at 0 percent and then rise to 20 percent. Before the reform, employer payroll taxes dropped from 28 percent for Minijobs to 20 percent for jobs earning more than Minijobs; since the reform, employer payroll taxes stayed at 28 percent for employment at the start of the Midijob earnings range, and then declined on a sliding scale to reach 20 percent only at the end of the Midijob earnings range, i.e., at monthly earnings of 2,000 Euro. Thus, the reform reduced Midijob payroll taxes for workers and raised them for employers; for example, after the reform, employer social insurance contributions for jobs earning 600 and 900 Euro increased from 119.25 and 178.88 Euro before Oct. 2022 to 159.59 and 212.07 Euro after January 2023, i.e., by

⁶ Since Oct. 2022 the Minijob earnings limit rises in tandem with the minimum wage. On Jan. 1, 2024 / 2025 / 2026 the Minijob earnings limit increased to 538 / 556 / 603 Euro, respectively.

34 and 19 percent, respectively. Employers knew about rising payroll taxes since June 2022 and about the increasing Midijob earnings range since October 2022 (see column 1 of **Table 1**). Therefore, it is plausible to expect labor demand responses as early as June 2022.

The official rationale for the far-reaching reform of Oct. 1, 2022, was to incentivize the transition of Minijobbers from Minijobs to higher-earning employment by smoothing their payroll tax burdens (see, e.g., Deutscher Bundestag 2022a). The contribution rates for employers were increased to ensure that the enhanced subsidy for employees (see **Figure 3.2**) does not generate a burden for the community of insured workers (see, e.g., Deutscher Bundestag 2022a, p. 31).

In sections 3 and 4, we describe the labor market developments after these reforms in order to find out whether the reform met its objective.

For employees, we expect that after the Oct. 1, 2022 reforms, the attractiveness of working in the earnings range 1.300-1.600 (starting Oct. 1, 2022) and 1.600-2.000 (starting Jan. 1, 2023) increased because the expansion of the Midijob earnings limit extended the coverage of the Midijob payroll tax subsidies to these gross earnings ranges. In addition, after Oct. 1, 2022, the reduced payroll taxes for previous Midijobs, i.e., jobs earning from the Minijob earnings limit to 1,300 Euro per month, may have incentivized additional transitions from Minijobs to Midijobs. We test these hypotheses in section 3.⁷

For employers, the Midijob reforms of 2022 and 2023 rendered Midijob employment more expensive because payroll tax rates rose across the entire and newly expanded earnings range (see **Figure 3**). At first glance, we expect reduced hiring in the Midijobs earnings range as a consequence (cf. Lichter et al. 2015 and Popp 2025); labor demand may have shifted from Midijobs to alternative job types that are not affected by the increase in payroll taxes, specifically Minijobs (just below the Midijob earnings range) and regular employment just above the Midijob earnings range. However, in principle, employers might also respond by shifting the burden of rising payroll taxes onto workers,

⁷ On October 1, 2022 the federal minimum wage was increased substantially from 10.45 to 12.00 Euro per hour. We do not expect that this affects the distribution of workers across the Mini- vs Midijob range because the upper earnings limit of Minijobs was adjusted accordingly.

whose payroll taxes were reduced; employers might pay slightly lower wages or demand more hours worked for given monthly earnings such that employees do not actually benefit from their payroll tax reduction. In that case, the net effect of the reform may be small, and its incidence falls on employees. In section 4, we compare the earnings distribution of new hires before and after the reform which may be an indication of responses to the reform.

3. The gross earnings distribution and transitions out of Minijobs after recent reforms

3.1 Data

In this section, we compare labor market outcomes before and after the Midijob reforms, applying the empirical approaches of Collischon et al. (2024) to more recent data. We draw a one percent random sample of all individuals who had an employment spell between 1999 and 2023 from the Integrated Employment Biographies (IEB V17.01.00-202312) of the Institute for Employment Research (IAB) of the German Federal Employment Agency (BA). The data offers full information on employment biographies and unemployment benefit receipt for all workers covered by the German social security system. Not included are civil servants and the self-employed.

In our static analysis in section 3.2, we investigate the share of workers in specific monthly earnings bins and inspect how these shares shift after at the reforms. We restrict our sample to the years 2021 and 2023 and use data on individuals in the age group 20 to 65 as of November 1. We split the sample into 25 Euro bins of monthly earnings for individuals earning less than 2500 Euro.⁸

Table 2 presents descriptive statistics for the analyzed years. We use 133,988 and 113,796 observations of employed individuals for the years 2021 and 2023, respectively. The shares of Minijob and Midijob employees are larger after the reforms expanded the upper earnings limit. Also, the 2023 sample contains slightly more non-German individuals, which might explain the reduced average tenure and experience values.

⁸ We approximate monthly pay by multiplying daily earnings by 30.4375.

In our dynamic analysis in section 3.3, we inspect the development of transition rates from Minijobs to higher-earning jobs in recent years. Again, we use IEB data where our sample now comprises all individuals who held a Minijob as of November 1 in the period between 1999 and 2022. We consider individuals in the 20-65 age range and focus on the propensity to transition from a Minijob to regular, i.e., higher-paying employment above the Minijob earnings limit. We consider a transition if the Minijobber of year t is observed in regular non-Minijob employment on November 1 of year $t+1$ (annual transitions starting 1999-2022) or year $t+2$ (biannual transitions starting 1999-2021). **Table 3** shows descriptive statistics for our sample of 534,728 Minijobbers as observed on November 1, 1999-2022. They are on average 43 years old and predominantly female (77 percent). On average, 14 and 23 percent of these individuals transition to a regular job within 12 and 24 months, respectively.

3.2 Gross earnings distribution

In **Figure 4**, we present the distribution of gross earnings for the years 2021 and 2023, i.e., shortly before and after the reforms. **Figure 4.1** presents overlapping histograms of the earnings distributions for the two years, and **Figure 4.2** shows the difference between the two distributions. As expected, we find vast bunching at the Minijob earnings limit, which moved from 450 Euro in 2021 to 520 Euro in 2023. The difference plot in **Figure 4.2** shows no evidence of increased attractiveness of Midijobs after the reform. There is no change in employment shares between the Minijob limit and the pre-reform Midijob earnings limit of 1.300 Euro. In addition, neither the share of employees working in the earnings range 1.300-1.600 nor in the earnings range 1.600-2.000 rises after the reform. To the contrary, we find a decline in the share of workers employed in the 1.600-2.000 Euro range between the two years.⁹

⁹ Appendix **Figures A.1** and **A.2** show the results when we compare 2023 to 2020. As the results are very close to those of the comparison of 2023 to 2021 in **Figures 4.1** and **4.2**, we conclude that our baseline result is not distorted by the onset of the COVID-19 pandemic

As the German labor market experienced a substantial inflow of foreign workers prior to 2023, we recalculated the analysis separately for German and foreign citizens. The large population of refugee immigrants who entered the German labor market since about 2015 might have sorted into low-earning jobs as their first labor market activity: being labor market entrants, they may be disadvantaged in their access to higher-paying employment, e.g., due to limited information (Brücker et al. 2024). In addition, this group might have been pressured to take up any employment in order to avoid sanctions and benefit cuts in transfer programs. **Figure 5** shows the analyses of Figure 4.1 separately for the German and foreign citizen subsamples. The results suggest that indeed much of the counterintuitive decline in Midijob employment might be associated with the non-German immigrant population; but even among German natives the number of Midijobs did not rise.

3.3 Transitions from Minijobs to regular employment

Figure 6 presents the development of annual and biannual transition rates out of Minijobs for the period 1999 through 2023; it adds two observation years to the analysis of Collischon et al. (2024, their Figure 4) to cover the potential impact of the Midijob reforms. Overall, annual and biannual transition rates follow similar general time trends with rising transition rates out of Minijobs since 2003. Minijob earnings limits increased on Jan. 1, 2013, from 400 to 450 Euro and on Oct. 1, 2022, from 450 to 520 Euro. Midijob earnings limits increased in 2013, 2019, 2022, and 2023 (see **Table 1**). **Figure 6.1** does not yield evidence of clear transition responses to these adjustments. We are particularly interested in responses to the 2022 reforms, which rendered Midijobs more generous. While the biannual transitions (top line) slightly increase for the 2021-2023 transitions, the annual transitions (bottom line) slightly decrease for the 2022-2023 transitions. **Figure 6.2** shows that these developments – apart from level differences – do not differ by gender. Overall, neither the evidence on the gross earnings distributions nor on transition rates out of Minijobs suggests that there are substantial effects of the most recent Midijob reforms. This finding is in line with Collischon et al. (2024), who find no substantial impacts of the earlier Midijob expansions.

4. Hiring response to recent reforms

4.1 Data

In this section, we compare the earnings distribution of new hires before and after the 2022/2023 Midijob reforms to describe employer responses. We apply data from the Sample of Integrated Employer-Employee Data (SIEED).¹⁰ The SIEED is a sample of 1 percent of all German establishments covered by the IAB Employment History (as of June 30). We use information for the period 2013-2023. We consider all establishments – including those without mandatorily insured employees – if they employ at least one Minijobber. The data allow tracking the employment biographies for all individuals ever employed in the sampled establishments over the considered period and provide additional information at the establishment level.

We consider the establishments' new hires and group them in gross earnings brackets to describe the relative importance of hiring in certain earnings ranges over time. This allows us to investigate any responses to the disincentives provided in the 2022 Midijob reform, which increased social insurance contributions employers have to pay for Midijobbers. Our data comprises information on 1,136,684 hirings in 42,996 establishments for the years 2013-2023 with gross monthly starting wages in the range of 200 to 2,500 Euro. Based on the four phases of constant Midijob regulation, we group these hirings in four subperiods: 01 Jan. 2013-30 June 2019, 01 July 2019-30 Sept. 2022, 01 Oct. 2022-31 Dec. 2022, and 01 Jan. 2023-31 Dec. 2023 (see **Table 4** for descriptive statistics for the full sample and by subperiods). We find that 76 percent of all establishments hired new workers in the considered earnings range between 2013 and 2023. Clearly, there are fewer hirings in the shorter subperiods. The share of unsubsidized hirings declined over time as the Minijob and Midijob earnings limits increased and larger shares of workers were subsidized. Not surprisingly, the share of Midijob hires increased from 6 percent in the first period to

¹⁰ See Schmidtlein et al. (2025).

22 percent in 2023, whereas the share of Minijob hires remained constant at around 10 percent over time (see **Table 4**).

4.2 Earnings distribution of new hires

Figure 7.1 presents our main findings. It characterizes the distribution of establishment hirings across the earnings distribution, broken down in 50-Euro brackets (x-axis).¹¹ **Figure 7.1** describes the earnings range that is likely most affected by the Midijob reform, i.e., monthly earnings between 800 and 2,500 Euro. Given increased employer social insurance contributions, the attractiveness of hiring in the newly covered Midijob earnings ranges of 1,300-2,000 Euro might decline.¹²

The different lines in **Figure 7.1** represent the relevance of hiring in different earnings brackets for separate Midijob regulation periods. For the first two subperiods, which both lasted for several years (orange and red lines), we find rather flat distributions of hirings across the gross earnings range. In the first period 2013-2019, the Midijob earnings limit was at 850 Euro and hiring rates declined in the upper earnings ranges (orange line). Compared to these initial hiring rates, hiring generally declined in the earnings range between 1,300 and 2,000 Euro in the latter two subperiods, particularly in 2023 (dark blue line). Hirings with earnings in the Midijob range became less frequent, and hirings in the earnings range just above the Midijob earnings limit became more frequent after the 2022 and 2023 reforms. This pattern matches our hypothesis that employers reduced Midijob hiring as soon as payroll tax increases were announced. The figure suggests that hiring for regular employment above the Midijob limit (1600 and 2000 Euro) increased after the reforms.

¹¹ We count the total number of an establishment's hirings and then describe the distribution of the new jobs' earnings for each establishment. **Figure 7** provides the distribution averaged across establishments, for different periods.

¹² In **Appendix Figures A.3** and **A.4**, we depict the earnings ranges of 600-2,500 Euro in **Figure A.3**, and 1,600-2,500 Euro in **Figure A.4**. The latter focuses on behavioral adjustments of labor demand over time.

Figure 7.2 shows heterogeneities of these developments for the hiring of German vs. non-German citizens and males vs. females, focusing on the 1,600-2,500 Euro earnings range and comparing the hiring frequencies for the periods 01 July 2019-30 Sept. 2022 (red lines) to the post-reform period in 2023 (blue lines). The pattern of shifted earnings brackets for new hires holds for all four subgroups. The hiring changes are somewhat greater for non-German than for German citizens and for males than for females. Overall, these results suggest that employers responded to the 2022 / 2023 Midijob reforms and reduced hiring in the upper parts of the Midijob earnings range.

As employers had to pay substantially higher social insurance contributions for Midijobs after the reform, firms might have shifted their labor demand from, e.g., low-earning Midijobs to Minijobs close to the earnings limit. We inspect in **Figure 7.3** whether such an adjustment can be observed. **Figure 7.3** presents the job distribution among lower-earning employment relationships, covering jobs between 200 and 1,000 Euro per month. The orange and red lines cover the period 2013-30.09.2022, when the Minijob earnings limit was 450 Euro, the green and blue lines cover the two periods after the 2022 reform, when the Minijob earnings limit had risen to 520 Euro. **Figure 7.3** suggests that among all low-income hirings the share of new Minijobs did not increase after Oct. 1, 2022. Therefore, it is unlikely that employers substituted low-earning Midijobs by Minijobs.

The findings in **Figure 7.1** might be misleading if discontinuities along the gross earnings distribution of new hires generally respond to Midijob regulations. In that case, the hiring shift that we observe after the 2022/23 reforms may exist similarly for earlier regulations of the Midijob earnings limit. In order to test this hypothesis, we apply a regression discontinuity design that tests for discontinuities in the gross earnings distribution of hires at the relevant, period-specific Midijob limit.¹³ In particular, we regress the share of an establishment's new hires in a given earnings bracket on gross earnings bins as the running variable and check for heterogeneity at the Midijob earnings limit. The four panels of **Figure 8** show the extent to which the distribution of hires across the earnings brackets shows discontinuities at the Midijob earnings limit. The black dots represent the

¹³ The regressions do not consider additional control variables.

underlying share of hires in each earnings bracket; the green lines offer a linear representation of average trends to the left and right of the cutoff value. The depictions in Panels A and B for the periods when the Midijob earnings limit was at 850 and 1,300 Euro do not show discontinuities at the Midijob limit. In Panel C we can use only a small number of observations because the sampling period covered only three months. It is only Panel D for the period since the latest reform, which shows a large discontinuity at the Midijob earnings limit. This further supports the hypothesis that employers might have responded to the increase in payroll taxes by shifting hiring to earnings beyond the Midijob limit.

Finally, in principle it is possible that the discontinuity in new hires' earnings at the 2,000 Euro limit existed even before the reform and in earlier Midijob regulation periods. **Figure 9**, therefore, shows the potential discontinuity in new hires' earnings at the 2,000 Euro limit for the four regulatory periods. Panel A does not show a discontinuity; Panel B depicts only a small change at the 2,000 Euro limit. Only Panels C and D indicate an increase in hiring at the 2,000 Euro gross monthly earnings, which then dissipates at higher earnings. This evidence supports the view that the increase in hirings to the right of the 2,000 Euro boundary may be associated with the change in Midijob regulations that started in June of 2022 and increased payroll taxes for Midijobs after October 1, 2022.

In sum, the evidence on establishments' new employment relationships suggests that after the reform, employers may have responded to the increasing payroll tax burden connected to Midijobs and moved new jobs out of this earnings range. In that case, the reform may have failed in reaching its objective to offer a more attractive Midijob as an incentive to leave Minijob employment.

5. Conclusions

In Germany, low-earning jobs are subsidized through the instruments of Mini- and Midijobs. These subsidies cause substantial distortions in the labor market as employees stay within the earnings limits of these policy instruments (Tazhitdinova 2020 and Collischon et al. 2024) to reap their

benefits. The government is aware of the Minijob trap and, since 2003, aims at its amelioration. Herget and Riphahn (2025) show that the Midijob policies that were implemented through 2013 were unsuccessful overall in reaching their stated goal to tackle the Minijob trap. In 2022 and 2023, the government expanded Midijobs again. This time, not only was the Midijob earnings limit increased to 2,000 Euro, such that as of 2024, more than 5 million employment relationships were covered by the Midijob subsidy. In addition, the reform further reduced payroll taxes for employees and increased payroll taxes for employers. In this study, we describe labor market developments accompanying the 2022 and 2023 reforms.

First, we confirm studies for earlier periods showing that the distribution of gross earnings across all existing employment relationships does not respond to Midijob reforms. Also, there is no clear evidence that transition rates out of Minijob employment increased after recent Midijob reforms. Second, we inspect employer behavior after the reform. With rising payroll taxes, employers may have a new incentive to avoid hiring in the Midijob earnings range. A comparison of the distribution of new hires shows that after the reform, the probability of hiring in the Midijob earnings range declined, and just above the Midijob earnings range increased. We find a discontinuity in the earnings of the newly hired exactly at the 2,000 Euro Midijob earnings limit; similar discontinuities did not exist for previous Midijob regulations that were not connected to increased payroll taxes. In addition, the discontinuity at the 2,000 Euro earnings limit did not exist prior to the 2022 reforms. Together, this suggests that the payroll tax increase may have called forth labor demand responses. - We find no evidence that the 2022 reforms reduced the Minijob trap. Instead, they may have rendered Midijob employment less attractive for employers, which counteracts any effort to reduce the Minijob earnings trap.

Up to now, only ex ante analyses discuss the impact of the 2022/2023 Midijob reforms. Buslei et al. (2023) focus on the fiscal consequences of the 2022 reform for the mandatory retirement insurance, since Midijobbers pay reduced contributions but are entitled to full benefits. As the 2022 reform raised the Midijob earnings limit, it substantially increased the number of eligible

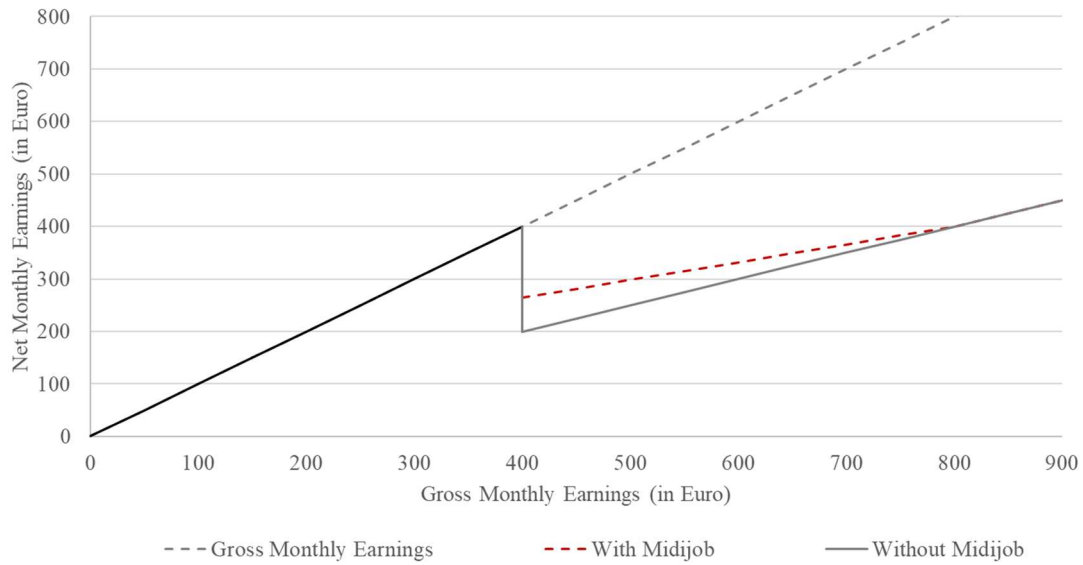
employees (see **Figure 2**). The authors estimate that the reform implies reduced contributions of one billion Euro annually for the retirement insurance. Bruckmeier and Wiemers (2023) simulate labor supply responses to the reform ex ante, where they do not consider the employer responses, which we found ex post. The authors expect an increase of at most 40 thousand full-time equivalent jobs and conclude that – contrary to the reform intentions – the reform renders Minijobs more attractive and increases the incentives for females to work part-time. The government expected that the expansion of the Midijob limit from 1,600 to 2,000 Euro as of Jan. 1, 2023, would generate an additional 0.5 billion Euro of employer contributions to the social insurances (Deutscher Bundestag 2022b). Nevertheless, overall, the social insurances would jointly suffer a reduction in contributions of about 0.8 billion Euro per year due to the limit shift. Our study adds to these analyses of the Midijob reforms as it is the first to point to the adjustment in employer hiring as an unintended side effect.

Overall, the 2022 reform apparently rendered Minijobs more attractive, reduced employers' propensity to hire Midijobbers, and was costly for the retirement insurance. Our results suggest that the reform did not benefit those caught in the Minijob trap.

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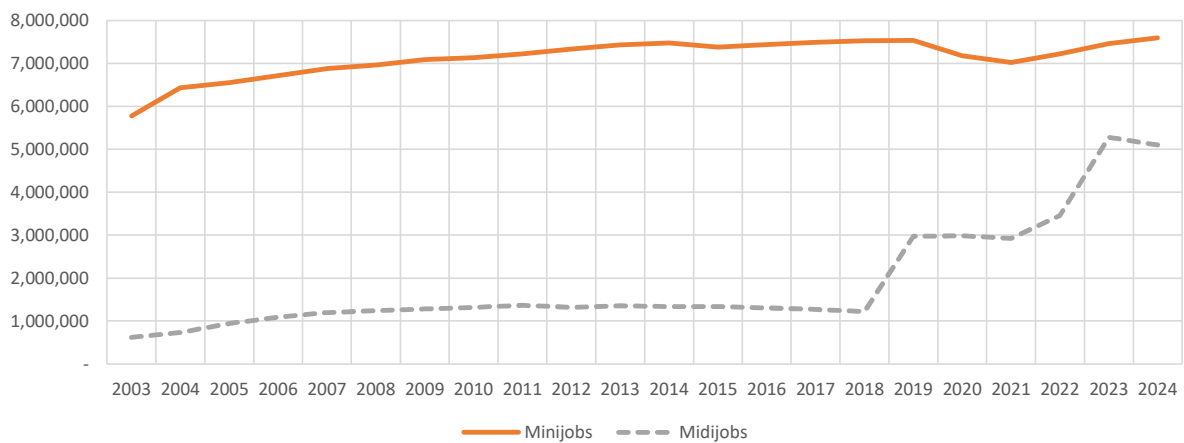
Figure 1 Net earnings with and without Midijob subsidy (2003)



Note: The graph sketches net monthly earnings (y-axis) associated with gross monthly earnings (x-axis). Up to the Minijob earnings limit of 400 Euro (in 2003), gross and net earnings are identical. For gross earnings beyond the Minijob earnings limit, the bottom grey straight line describes net earnings before Midijobs were introduced (assuming an income tax rate of 30 percent and social insurance contributions of 20 percent for employees). The dashed red line indicates the net earnings situation after the introduction of Midijobs.

Source: Own illustration.

Figure 2 Number of Mini- and Midijobs over time (annually as of Dec. 31)



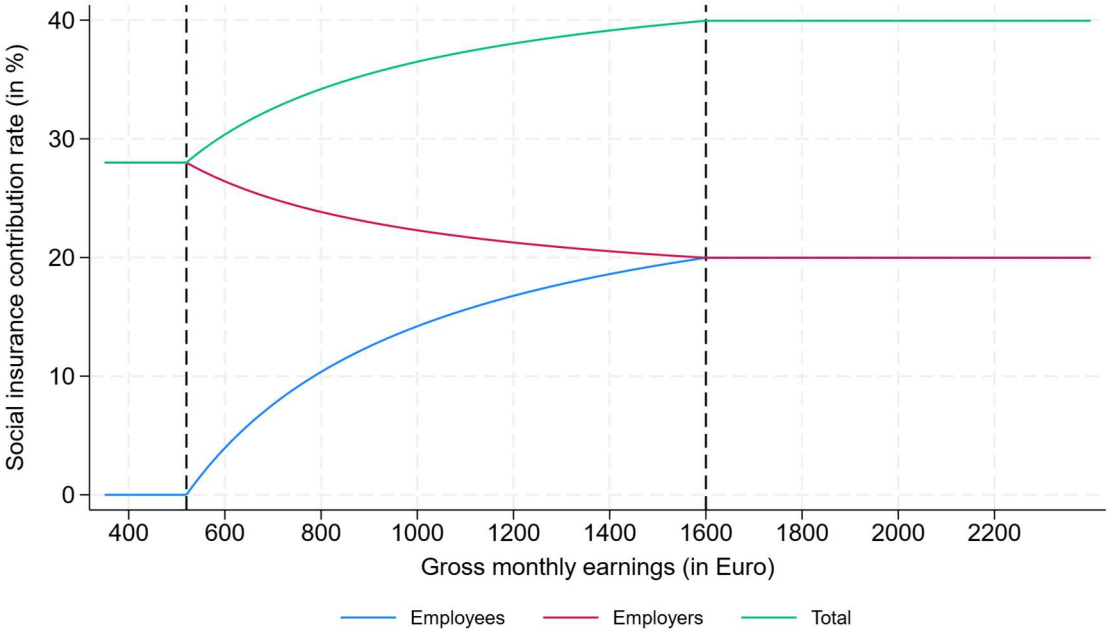
Source: Statistics of the Federal Employment Agency (several years).

Figure 3 Payroll tax rates for employers and employees

Figure 3.1 Before Oct. 1, 2022



Figure 3.2 After Oct. 1, 2022



Source: Own illustration.

Figure 4 Distribution of gross earnings around the 2022 Midijob reform

Figure 4.1 Distribution of gross earnings shares before and after the reform

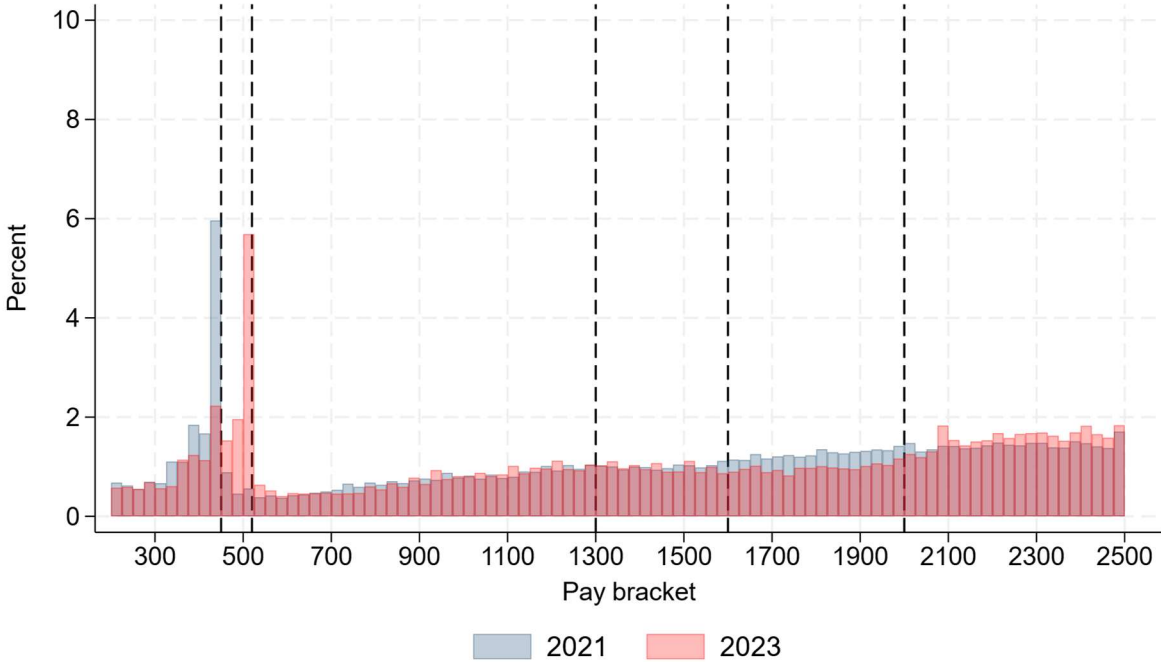
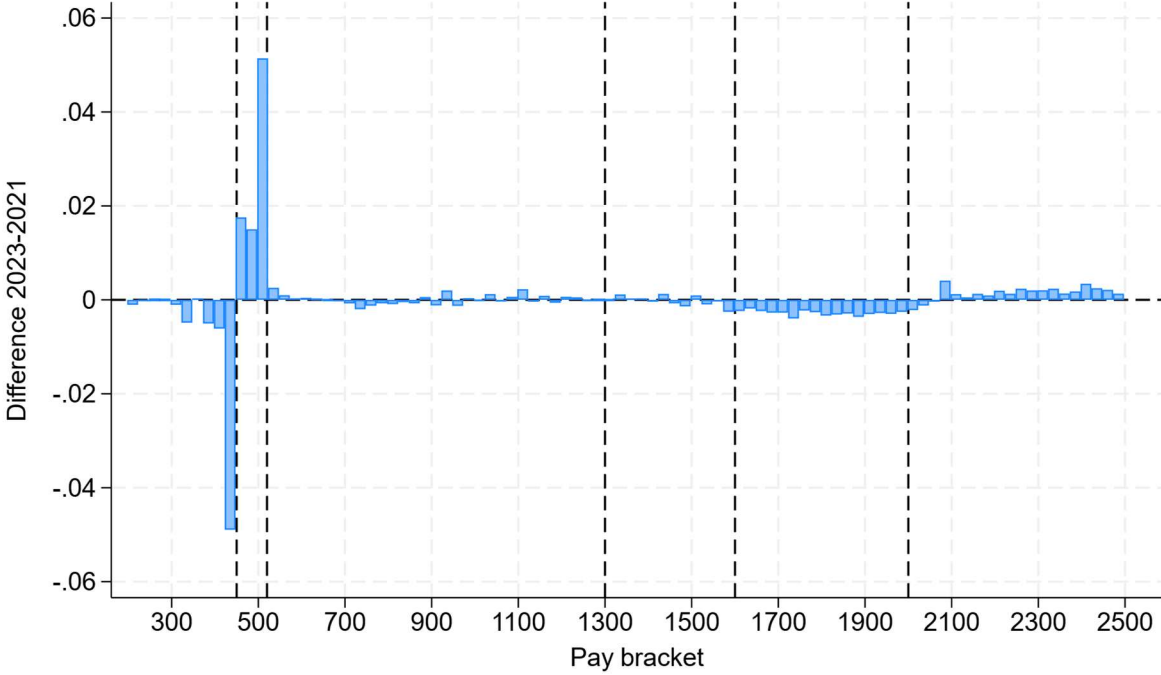


Figure 4.2 Difference between gross earnings share distributions before and after the reform



Note: Figure 4 shows vertical lines at 450, 520, 1300, 1600, and 2000 Euro gross earnings per month. Between 2021 and 2023, the Minijob earnings limit shifted from 450 to 520 Euro and the Midijob earnings limit increased from 1,300 to 2,000 Euro per month.

Source: IEB, own calculations.

Figure 5 Distribution of gross earnings around the 2022 Midijob reform by citizenship

Figure 5.1 Non-German workers

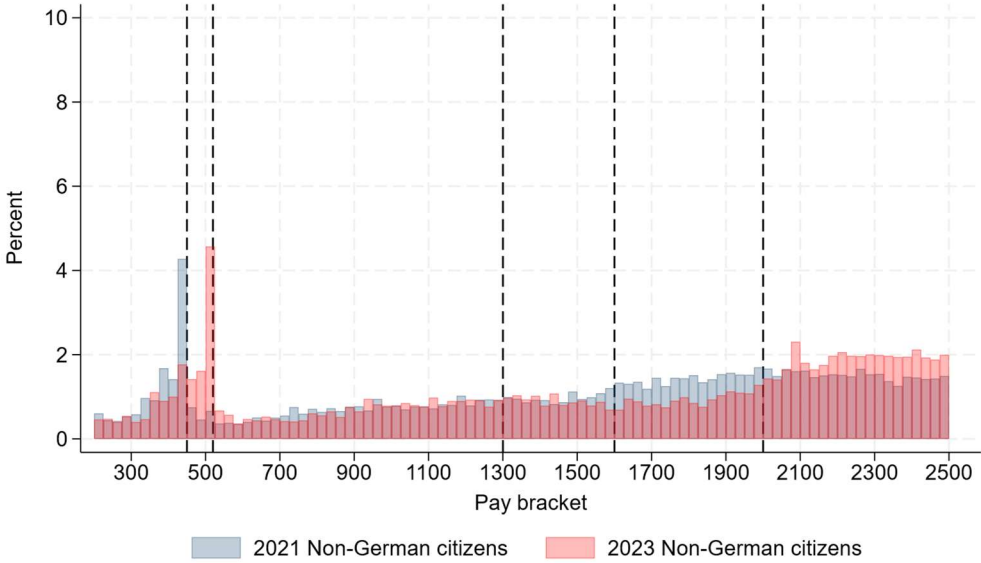
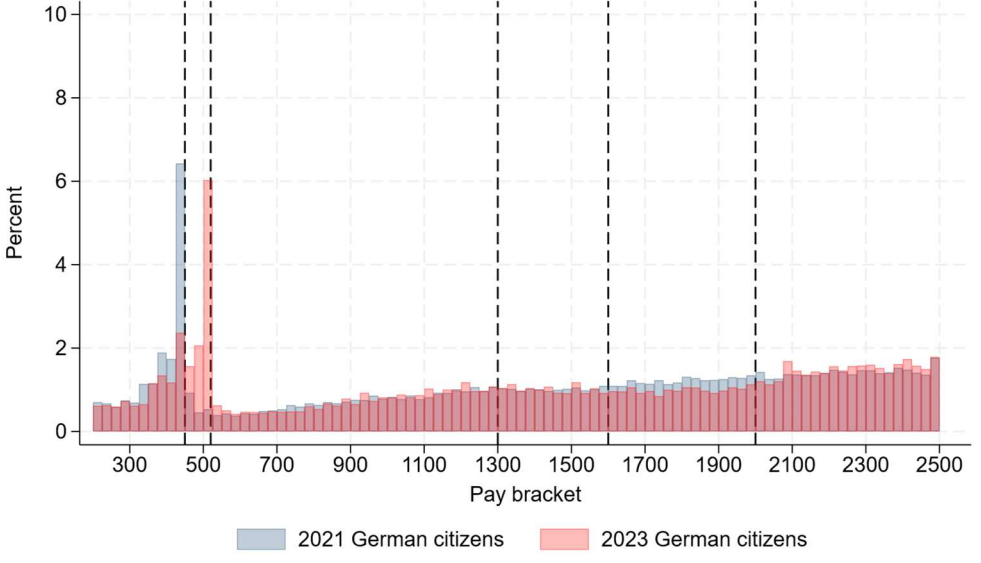


Figure 5.2 German workers



Note: Vertical lines at gross earnings of 450, 520, 1300, 1600, and 2000 Euro per month.
Source: IEB, own calculations.

Figure 6.1 Transition rates from Minijobs to higher-paying employment (1999-2023)

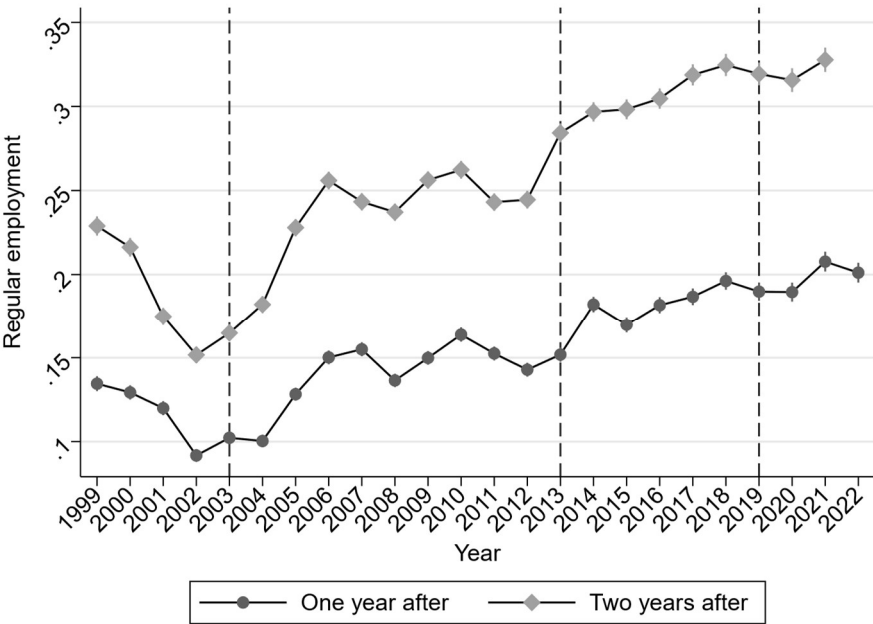
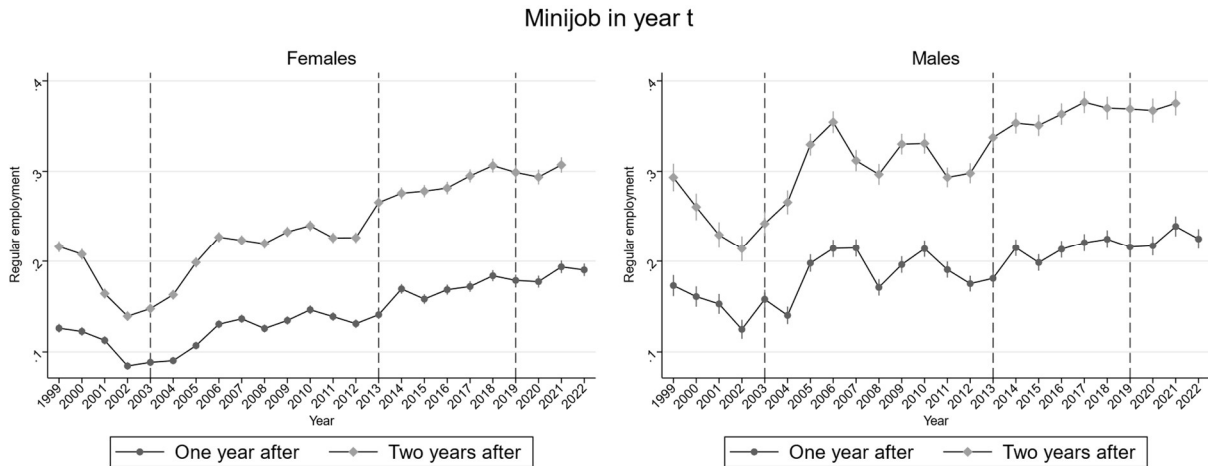


Figure 6.2 Transition rates from Minijobs to higher-paying employment by gender (1999-2023)



Note: Transition to higher-paying employment is coded as a transition to monthly earnings above 325 Euro for the period prior to 2003, above 400 Euro for the period 2003-2012, above 450 Euro for the period 2013-2021, above 520 Euro for the period since 2022. The year on the x-axis gives the starting year of the transition.

Source: IEB, own calculations.

Figure 7.1 Distribution of gross monthly earnings at hiring before and after the 2022 reform (800-2,500 Euro per month)

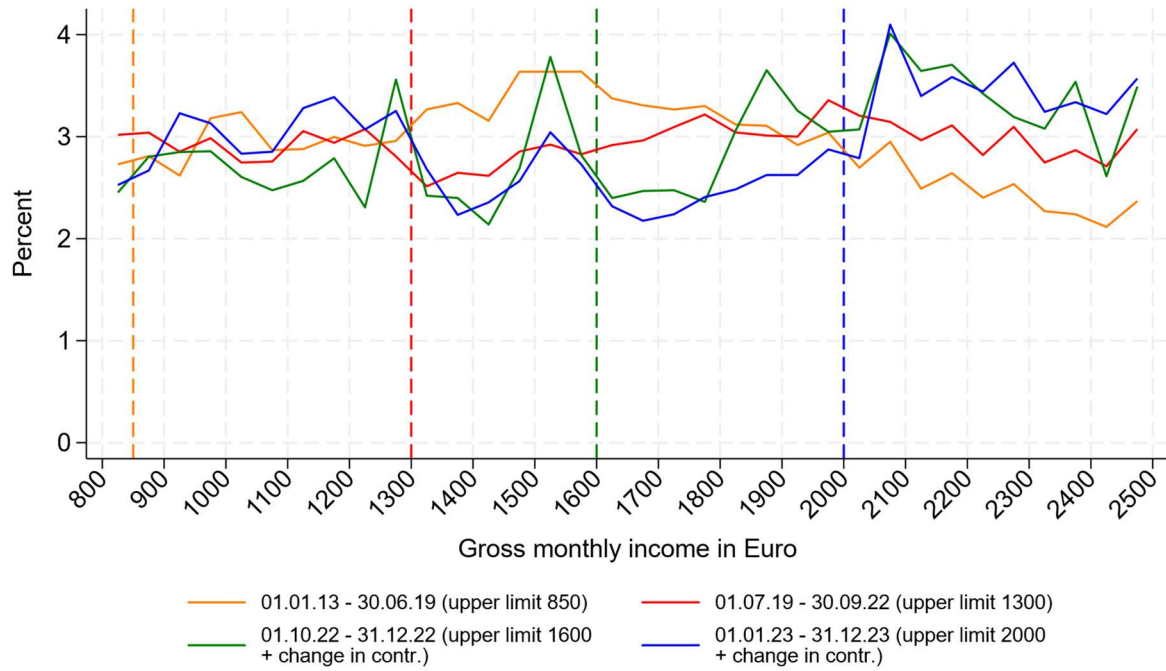
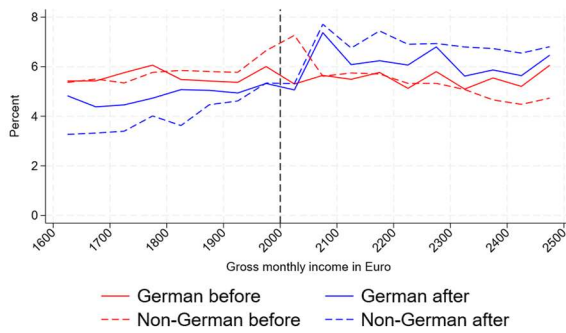


Figure 7.2 Distribution of gross monthly earnings at hiring before and after the 2022 reform – Heterogeneity by German vs. non-German citizenship and by gender (1,600-2,500 Euro per month)

(a) German vs. non-German citizens



(b) Males vs. females

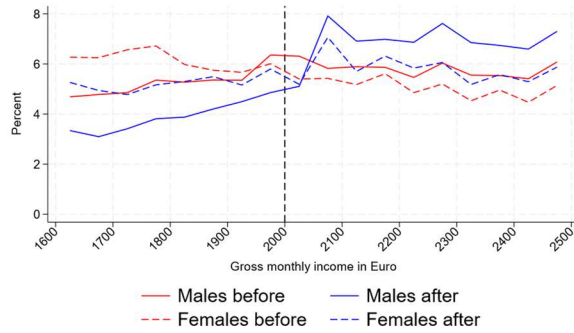
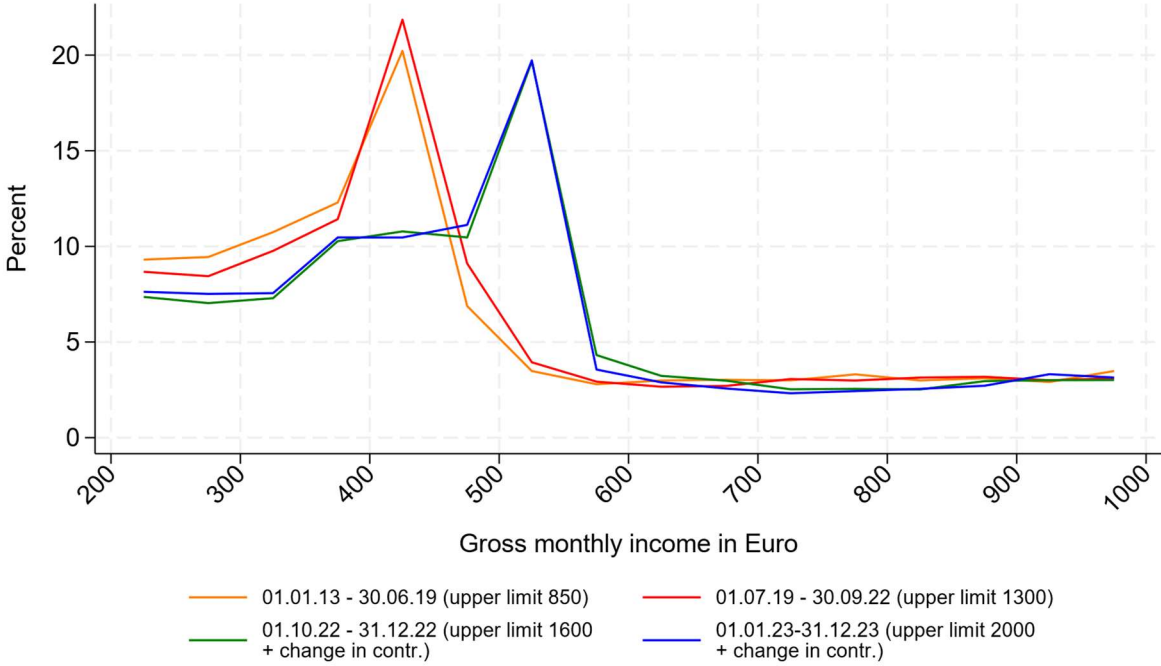


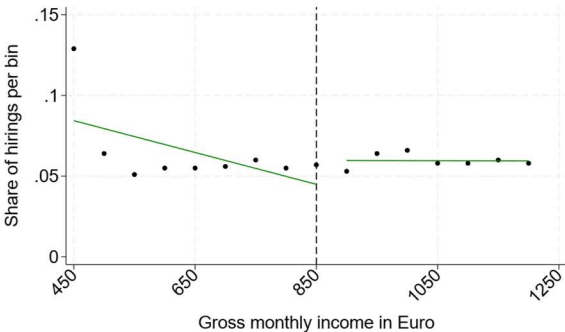
Figure 7.3 Distribution of gross monthly earnings at hiring before and after the 2022 reform (200-1,000 Euro per month)



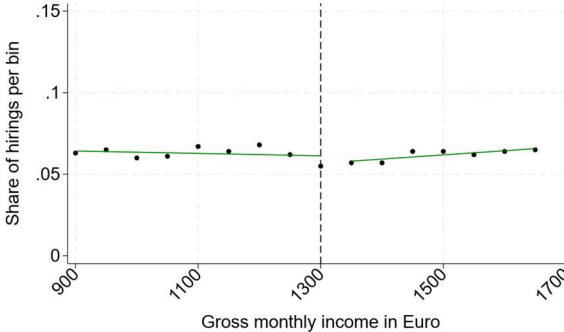
Source: SIEED, own calculations.

Figure 8 Discontinuity in the distribution of hiring earnings at the Midijob limit over time

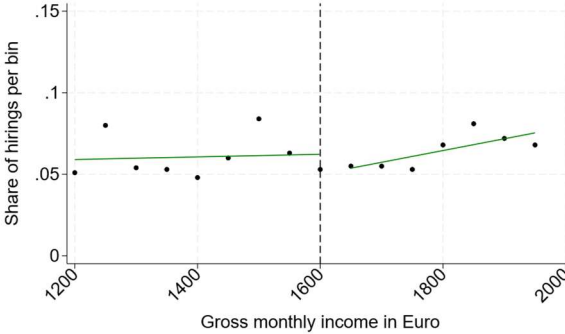
(A) Hirings 01.01.2013-30.06.2019
(limit 850)



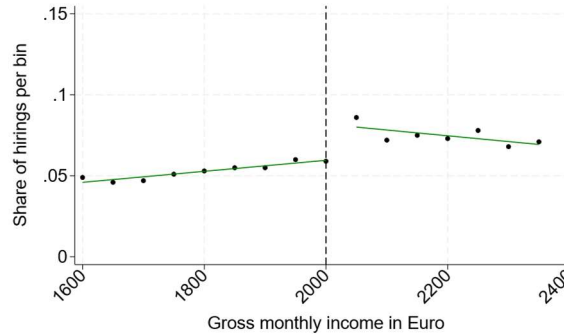
(B) Hirings 01.07.2019-30.09.2022
(limit 1.300)



(C) Hirings 01.10.2022-31.12.2022
(limit 1,600)



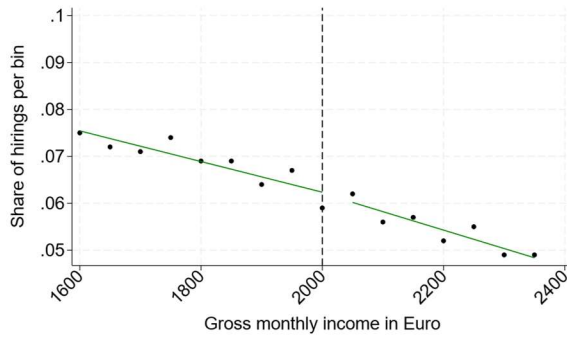
(D) Hirings 01.01.2023-31.12.2023
(limit 2,000)



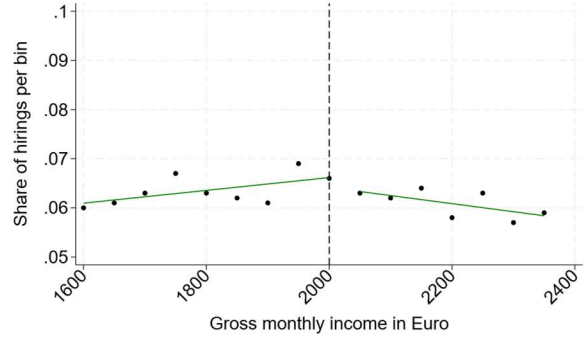
Note: Each dot represents the average for the 50 Euro bin starting at the dot. The regressions underlying figures A-D use A: 190,823, B: 82,349, C: 5,869, and D: 23,631 observations. All panels present the earnings range of 400 Euro below and above the Midijob earnings limit.
Source: SIEED, own calculations.

Figure 9 Discontinuity in earnings at 2,000 Euro for new jobs in different time periods

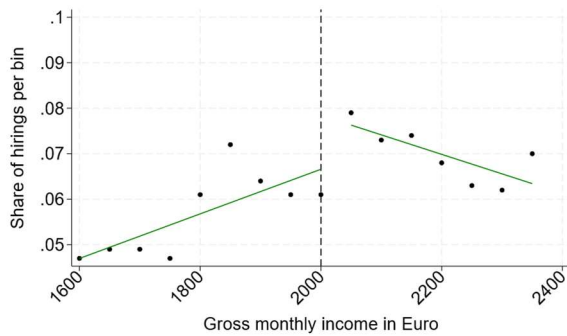
(A) Hirings 01.01.2013-30.06.2019
(limit 850)



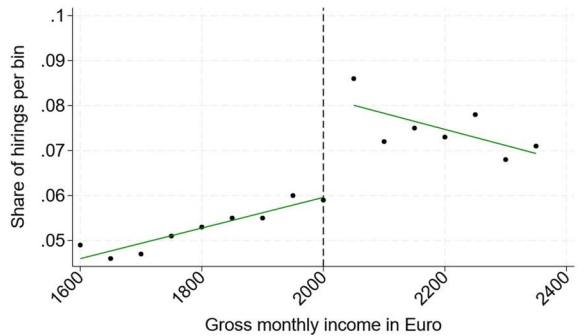
(B) Hirings 01.07.2019-30.09.2022
(limit 1.300)



(C) Hirings 01.10.2022-31.12.2022
(limit 1,600)



(D) Hirings 01.01.2023-31.12.2023
(limit 2,000)



Note: Each dot represents the average for the 50 Euro bin starting at the dot. The regressions underlying figures A-D use A: 175,292, B: 87,930, C: 6,596, D: 23,631 observations. The four panels describe the smoothness of the distribution of earnings upon hiring at the 2,000 Euro limit per month.

Source: SIEED, own calculations.

Table 1 Monthly earnings range of Mini- and Midijobs

Reform date (date of law change)	Minijobs	Midijobs
Apr 1, 1999 (Mar 24, 1999)	0 - 325 Euro	-
Apr 1, 2003 (Dec 23, 2002)	0 - 400 Euro	400.01 - 800 Euro
Jan 1, 2013 (Dec 5, 2012)	0 - 450 Euro	450.01 - 850 Euro
July 1, 2019 (Nov 8, 2018)	0 - 450 Euro	450.01 - 1,300 Euro
Oct 1, 2022 (June 28, 2022)	0 - 520 Euro	520.01 - 1,600 Euro
Jan 1, 2023 (Oct 7, 2022)	0 - 520 Euro	520.01 - 2,000 Euro
Jan 1, 2024 (Nov 16, 2023)	0 - 538 Euro	538.01 - 2,000 Euro
Jan 1, 2025 (Nov 16, 2023)	0 - 556 Euro	556.01 – 2,000 Euro
Jan 1, 2026 (Nov 7, 2025)	0 - 603 Euro	603.01 – 2,000 Euro

Source: see, e.g., Collischon et al. (2024).

Table 2 Descriptive statistics for the static analysis in section 3.2

	(1) 2021	(2) 2023
Regular job w/o Midijob (0/1)	0.69	0.45
Midijob (0/1)	0.18	0.40
Minijob (0/1)	0.13	0.16
Daily pay	48.28	48.17
Experience (years)	17.63	16.31
Tenure (years)	3.87	3.70
Age	41.56	41.64
Non-German citizenship (0/1)	0.21	0.23
Female (0/1)	0.64	0.67
Tertiary education (0/1)	0.12	0.10
Observations	133,988	113,796

Source: IEB, own calculations.

Table 3 Descriptive statistics for the dynamic analysis in section 3.3

	Minijob in t	
	Mean	SD
Minijob (0/1)	1.00	0.00
Daily pay	10.27	3.71
Experience (years)	21.39	10.07
Tenure (years)	2.74	3.53
Age	43.26	13.33
Non-German citizenship (0/1)	0.11	0.31
Female (0/1)	0.77	0.42
Tertiary education (0/1)	0.16	0.36
Regular job in 12 months (0/1)	0.14	0.35
Regular job in 24 months (0/1)	0.23	0.42
Observations	534,728	

Note: We consider all individuals who hold a Minijob on November 1 of any year between 1999 and 2022, are in the age range of 25–65, and are not registered as unemployed (i.e., they do not receive UB1 or UB2 benefits). Annual transitions to a regular job (“in 12 months”) are observed for starting years 1999–2022, and biannual transitions to a regular job (“in 24 months”) are observed for starting years 1999–2021).

Source: IEB, own calculations.

Table 4 Descriptive statistics for the analyses of employer behavior

	(1)	(2)	(3)	(4)	(5)
	All	01.01.13- 30.06.19	01.07.19 - 30.09.22	01.10.22- 31.12.22	01.01.23- 31.12.23
Share of hiring establishments in the subperiod	0.76	0.72	0.65	0.24	0.48
Average number of hires in the subperiod	26.44	20.04	12.96	3.34	6.33
Average share of regular hirings w/o subsidy	0.81	0.84	0.77	0.78	0.69
Average share of Midijob hirings	0.10	0.06	0.13	0.15	0.22
Average share of Minijob hirings	0.09	0.10	0.10	0.07	0.09
Average gross earnings at job start	1,094.3	1,090.1	1,097.0	1,127.7	1,106.5
Number of hirings	1,136,634	687,158	332,291	24,064	93,121
Number of establishments	56,730	47,608	39,498	30,251	30,786

Note: The table describes hirings in the monthly earnings range of 200 to 2500 Euro. Row one provides the share of hiring establishments in the subperiod relative to all establishments with at least one worker in that subperiod. Row two provides the average number of hires per establishment in the relevant subperiod.

Source: SIEED, own calculations.

Appendix

Figure A.1 Distribution of gross earnings shares before and after the reform (comparing 2020 and 2023)

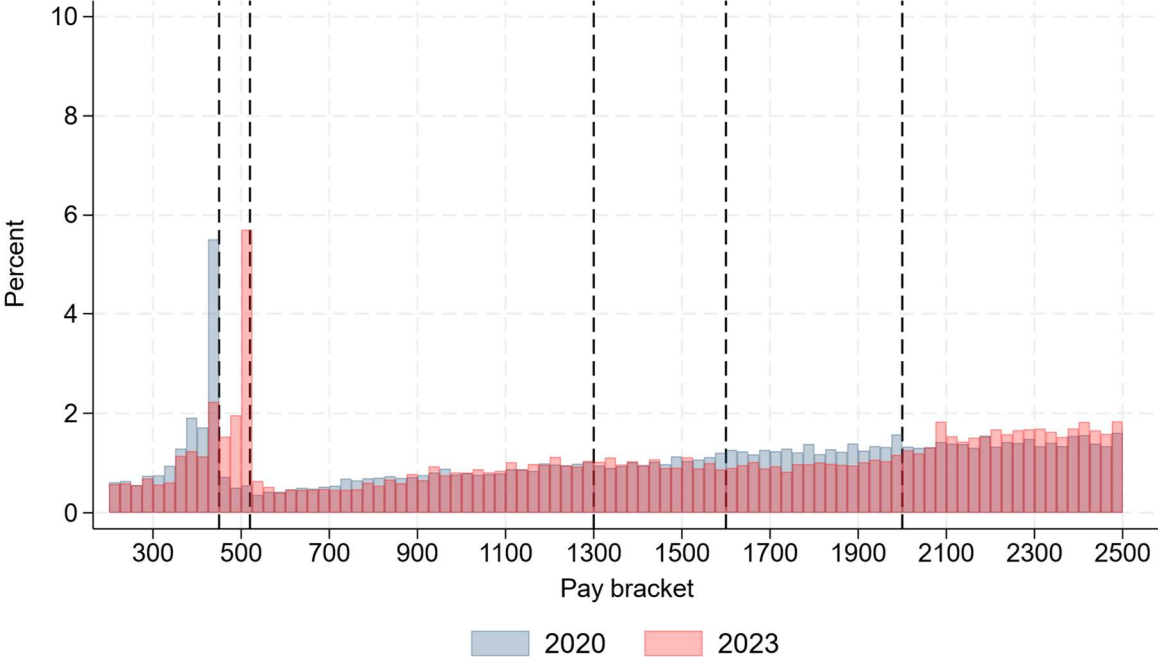
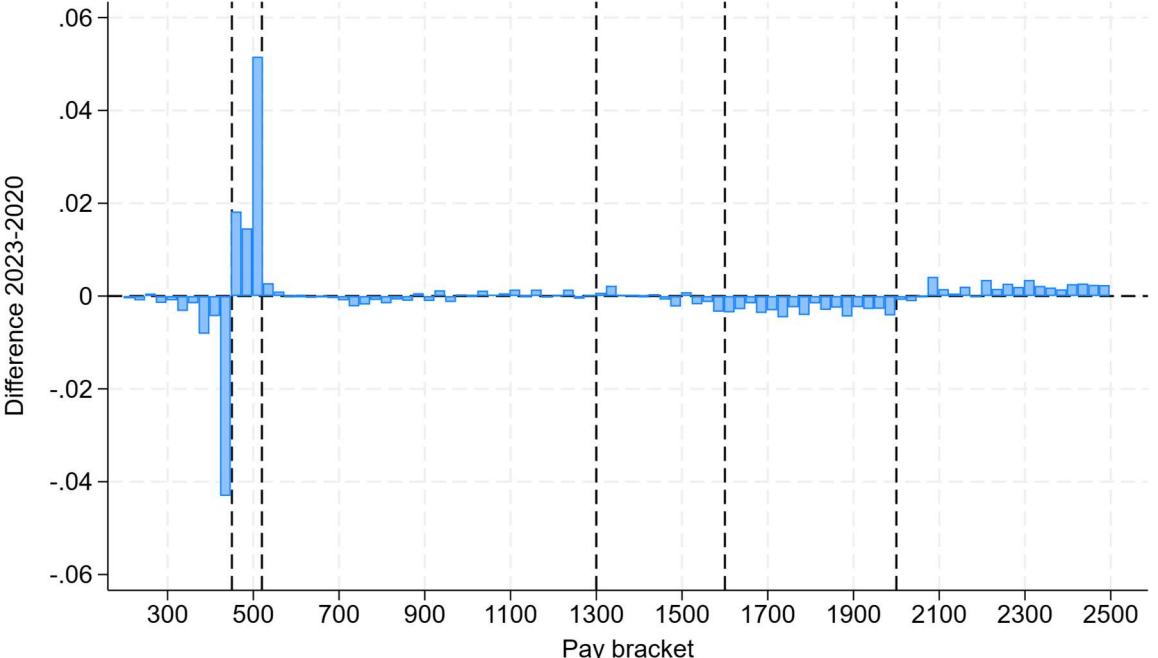
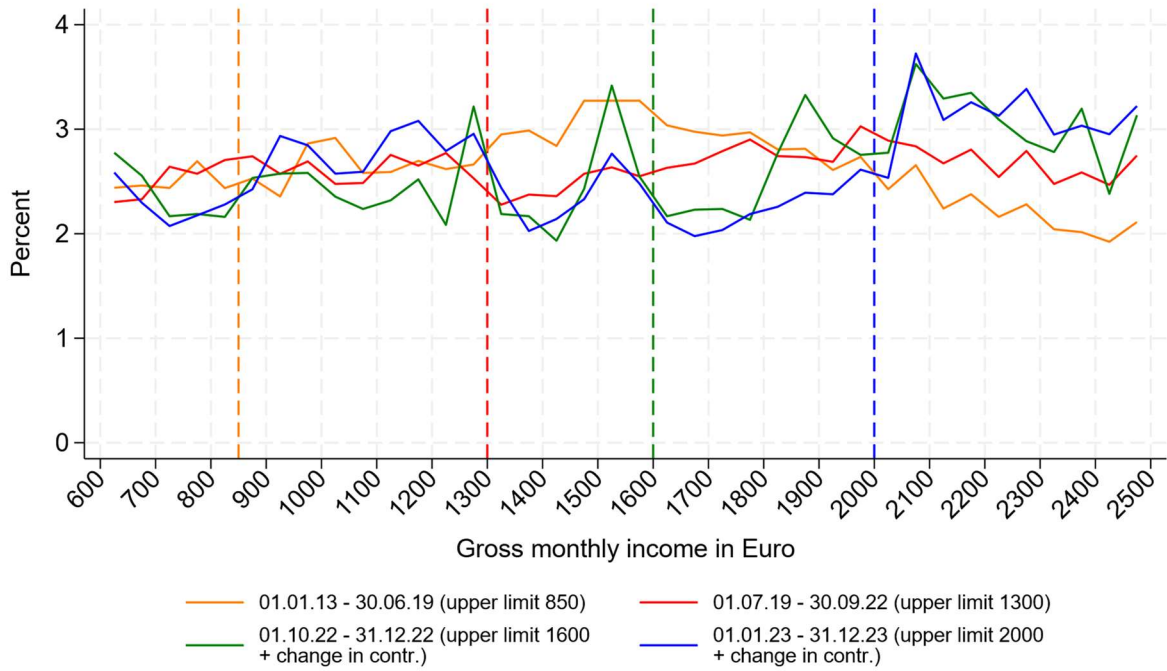


Figure A.2 Difference between gross earnings share distributions before and after the reform (comparing 2020 and 2023)



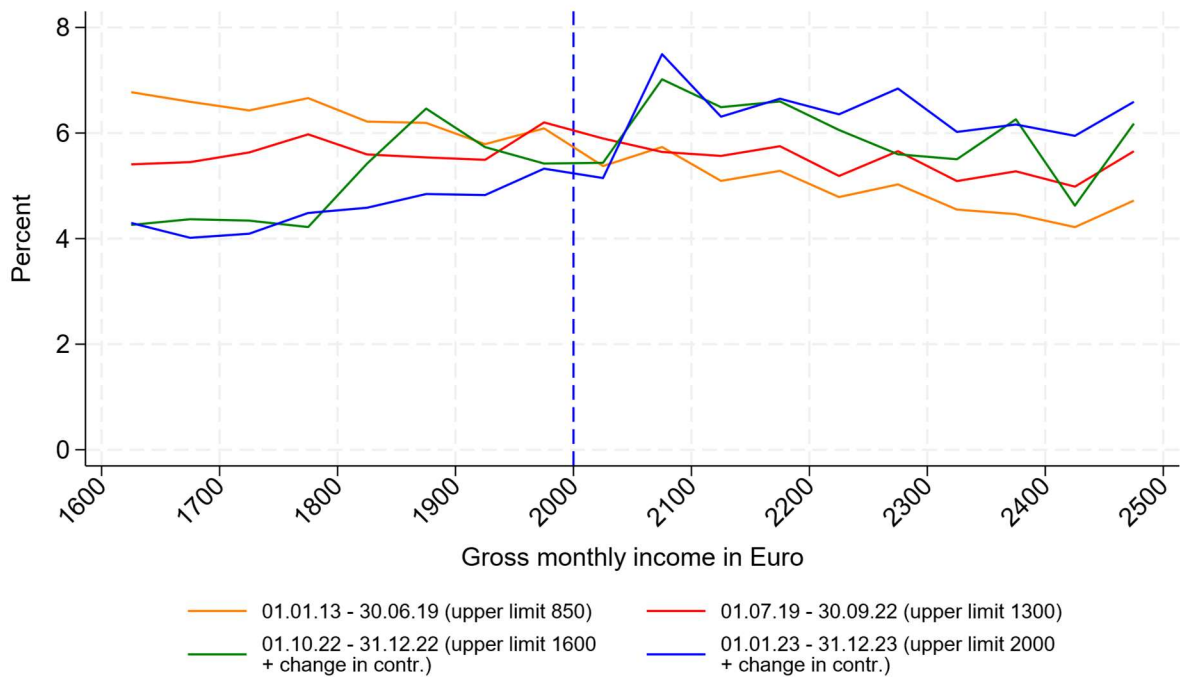
Source: IEB, own calculations.

Figure A.3 Figure 7 with earnings range 600-2,500 Euro



Source: SIEED, own calculations.

Figure A.4 Figure 7 with earnings range 1,600-2,500 Euro



Source: SIEED, own calculations.